

Forum Series on the Role of Institutions in Promoting Economic Growth

Comments by Robert Bates on Clifford Zinnes and Omar Azfar's
*"Looking Before you Leap: Designing and Testing Culturally
Compatible Reforms"*

Forum 5: NIE-Based Toolkits for USAID Applications

Session 4

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In his essay, Zinnes offers an analysis of the internal workings of USAID. He views USAID as a nexus of contracts between the Washington and regional offices, as well as between the members of both bureaucracies and private providers of goods, services, and aid programs. Zinnes stresses the high costs of monitoring – something that results from the inherent difficulty of inferring the impact of public interventions on “development;” the multiple objectives that USAID serves; and the highly decentralized nature of the agency. There is a natural disjuncture between the disparities between the goals of those who set the public objectives of the agency and the private interests of those who implement the programs designed to meet those objectives. Given the high costs of monitoring, there is also a great likelihood that there will be room for shirking. In this way, Zinnes isolates an important source of policy distortions and allocative inefficiency within the AID bureaucracy.

Zinnes’ analysis is based on the new institutionalism, which offers a way of applying micro-economic forms of analysis to institutions other than markets. It is a welcome contribution, and one from which we could learn much about why projects work or fail, or, while working, yield unintended consequences or exhibit otherwise unintelligible distortions.

That said, I would argue that Zinnes’ analysis is incomplete. In doing, so, I note that the criticism I offer stands as a critique of the new institutionalism in general, and not just to Zinnes’ use of it. Insofar as institutions introduce and structure the use of coercion in economic life, any approach that places a primary focus on the role of institutions must also stress the role of politics. It is politicians, legislators, bureaucrats, and justices who create and structure institutions. And without understanding the forces that shape their behavior, we can not understand the nature of the institution or of the patterns of outcomes that it introduces into economic life.

Let me, in a fairly telegraphic fashion, bring this perspective to bear in USAID:

The problem:



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Program officers are committed to the goals of their bureaucracy. They want more resources so as better to attain the objectives that they hold dear.

Each new President wants to reshape the public bureaucracy so as to maximize his objectives. He wishes to downsize some programs, build up others, or modify the objectives of existing bureaucracies. Insofar as his objectives differ from those of the program officers, the latter are in danger.

The response

To resist changes brought on by the President, program officers seek defenders. Most relevant are legislators, who have stand independently of the executive branch. To curry favor in the legislature, and therefore to achieve independence from the changes proposed by the president, program officers therefore provide benefits to interests that lodge within the constituencies of influential legislators. They create what has been called “an iron triangle” between the bureaucracy, the legislature, and interest groups – one capable of repelling reform minded presidents.

Implications for USAID

This framing of the political environment if a public agency in the United States yields implications of USAID and for its study.

Implication #1: USAID is more vulnerable to executive branch reform than are other agencies. It is “weaker” agency. This is because a large portion of its policy outputs yield benefits abroad, rather than within the constituencies of legislators. It is therefore more subject to revisions in its mandate than would be other public agencies. The results would include changing objectives; resultant difficulties in measuring past performance; and a lack of historical memory and a weakened capacity to learn.

Implication #2: To establish continuity, USAID would devote a larger portion of its resources to domestic activities than would make sense, given its objectives abroad. It would seek liaisons with important domestic interests, be they research universities and agricultural colleges, public interest programs and NGOs, and other influential groups. By “buying American,” even when buying locally might be more appropriate, they would gain much needed stability, albeit at high cost.

Implication #3: Not only would the agency seek friends in Congress; it would also seek them in the executive branch. Non-development objectives will increasingly supplant development objectives. Insofar as the agency can show its relevance disputes arising from regional struggles for power, conflicts between trade blocs, or high profile initiatives – the war against



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drugs, against Castroism, on terror, and so on -- it would gain allies in additional branches of government, even while losing its focus as a development agency.

Implications for the Study of USAID:

In seeking to account for the effectiveness of a project or program, then, account should be taken of its political as well as its economic objectives. Even if a “failure,” in terms of its economic impact, the project might have been a success, in terms of its impact on political interests within the United States. While not calling for a re-appraisal of the economic costs and benefits of any particular project, this perspective might help to explain why the agency chooses projects that, economically, may fail, and offer insights into ways to structure the agency such that it is better able to perform.



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